



U.S. Department of
Transportation

Office of the Secretary
of Transportation

Memorandum

Subject: Revised Departmental Guidance
Treatment of Value of Life and Injuries
in Preparing Economic Evaluations

From: Kirk K. Van Tine, General Counsel
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To: Assistant Secretaries
Modal Administrators

Date: January 29, 2002

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On January 8, 1993, to promote consistency among the policies of the several operating administrations, DOT published a guidance memorandum, "Treatment of Value of Life and Injuries in Preparing Economic Evaluations." That memorandum recommended the use of \$2.5 million as the benefit of averting an accidental fatality in departmental regulatory and investment analyses. This figure has been periodically adjusted for inflation by the GDP implicit price deflator. The current value of \$2.7 million was adopted in 1996.¹

Recent years have seen a considerable expansion in the number of studies published and refinement in analytical techniques. However, it does not appear that newer estimates converge on a consensus value or range that would justify modification of our established standard, and some significant estimates continue to lie well below it. Therefore, for the present, we will continue to use the procedure adopted in the 1993 guidance. Adjusting the value of life by the GDP implicit deflator for the third quarter of 2001, we now recommend the use of a value of \$3.0 million in all DOT analyses. We will continue to review available research and may recommend changes to the value of life if warranted. The relative values of injuries of varying severity are unchanged from those published in the 1993 memorandum.

It is important to emphasize that these values are imprecise and should be treated neither as an automatic justification for action nor as a rigid barrier, but as a guide to thoughtful decision-making. Where the estimated benefits of an action are close to the estimated costs, governmental decision-makers should pay particular attention to the accuracy of all other factors in the cost-benefit analysis.

To deepen understanding of the empirical basis for these values among analysts who use them and to facilitate evaluation of current studies, we are initiating a process of consultation within the department. Before proposing major revisions, we intend to invite experts in this field of research to meet informally with DOT staff and share insights into the state of the art and the issues that must be considered in developing policy. We will announce meetings as they are scheduled.

¹ The original guidance memorandum and background information on relevant sources may be found at http://ostpxweb.dot.gov/VSL_background.htm